

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Post: Chengdu ATO

Chengdu In-store Promotion Activity Report

Report Categories:

CSSF Activity Report

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Report Highlights:

The one-week in-store promotion with Chengdu's Ito Yokado chain included all four store locations in Chengdu and resulted in sales of \$42,600 worth of U.S. food products and 68 new-to-market products. This represents a 28-percent increase over the previous year's promotion. Participating cooperators included the state regional trade groups Food Export Midwest, U.S. Dairy Export Council, Almond Board of California, California Table Grape Commission, and USA Poultry and Egg Export Council. More than ten local media covered the event, which was featured on TV, in newspapers, and in culinary magazines.

General Information:

Background

Background:

Chengdu Market:

Chengdu, the capital and cultural center of Sichuan province, is a prime target for U.S. agricultural exports as an emerging city market in China's heartland. With a population of over twelve million and a land area of 12,000 square kilometers (4,632 square miles), Chengdu is the wealthiest and most advanced city in Southwestern China. Although Chengdu accounts for only 14 percent of Sichuan's population, it accounted for 32 percent of the province's GDP in 2009. Its prosperity, high standard of living, and quality of life has given the city a reputation of being an easy place to move to, but a hard place to leave. This rapidly-expanding market offers exporters a market with double-digit growth rates, increasing demand for imports, less market saturation than the major coastal city markets, and a passion for food.

Growing Market for U.S. Agricultural Exports:

The economic growth the region is experiencing is raising incomes and increasing the market for foreign products. Chengdu's gross domestic product increased by about 14 percent in 2009 to USD 67.8 billion, while its per capita disposable income grew by 10 percent in the same year to USD 2,810. The rapid economic development is fueling increased expenditure on higher quality and imported foods.

Retail Sector - Chengdu Ito Yokado Co., Ltd:

The retail sector in Chengdu is highly competitive. Major retail giants such as Carrefour, Auchun, Wal-Mart, and Metro play a dominant role in this sector, and other department store supermarkets such as Ito Yokado, Wang Fu Jing, Estan, Renhe Spring, and Parkson are premium high class supermarkets with more imported food products targeting middle- to upper-income consumers. Ito Yokado is one of the largest international retailers and one of the best sellers of imported food products in Chengdu. With an aggressive expansion strategy, Ito Yokado plans to open its fifth and sixth stores within the next two years in Chengdu. 7-11 (China) Corp. Ltd., Ito Yokado's sister company, also plans to open over one hundred 7-11 convenience stores in Chengdu in the near future.

Following last year's successful in-store promotion in Chengdu, on November 16, ATO Chengdu and partner high-end store Ito Yokado opened the second annual Great American Food In-store Promotion. This year's promotion features U.S. turkey, California table grapes, Alaska seafood, dried fruits and nuts, U.S. wine, cookies, snack foods, and seasoning. The opening was held in Ito Yokado's flagship Shuang Nan store, and was well attended by media and local shoppers.

Objectives:

- Reduce risks for distributors by supporting and encouraging purchases of U.S. products
- Promote the high quality and safety image of U.S. food products



- Increase local consumer's awareness of U.S. food products, food culture, and trends
- Introduce more varieties of U.S. food products to consumers and media in Chengdu and Southwest China
- Assisting distributors' distribution channels with retailers
- Increase the sales of U.S. food products thus, increase U.S. exports

Constraints & opportunities

Constraints	Opportunities
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Promotional Material

Higher price compare with domestic products	Raising income of residents
Limited knowledge and brand awareness of U.S. products	Increased awareness of U.S. food products
Lack of seamless, stable cold chain logistics for perishable products	Food safety becomes a big factor for choosing food products
Lack of retailer understanding of supplying and marketing	More retailers are interested in imported food products/ U.S. food products

Results and outcomes

The retail promotion at Ito Yokado's stores directly affluences their procurement management's decision. Over 1.2 million consumers visited Ito Yokado's four stores and sales doubled during the promotional period. As Ito Yokado plan to open its fifth and sixth store next year and later in Chengdu, much more imported agricultural products will be brought into their stores and their customers, and this poses great opportunities for U.S. agricultural products.

The one-week in-store promotion with Chengdu Ito Yokado included all four store locations in Chengdu and resulted in sales of \$42,600 worth of U.S. food products and 68 new-to-market products. This represents a 28-percent increase over the previous year's promotion. A total of 150 American food products, including 68 new-to-market products, were promoted at four locations of Chengdu Ito Yokado stores. More than 500,000 copies of promotional materials were mailed or picked up during the in-store promotion.



The promotion was featured on Sichuan TV and covered in the Chengdu Ribao newspaper, among other print media. Below are a few links of website media coverage:

http://e.chengdu.cn/html/2010-11/18/content_192822.htm;

<http://morning.scol.com.cn/new/html/tfzb/20101118/tfzb423855.html>;

http://www.wccdailly.com.cn/epaper/hxdsb/html/2010-11/17/content_257293.htm;
http://sichuan.scol.com.cn/fffy/content/2010-11/16/content_1584099.htm?node=894

Recommendations / Follow up:

Organizational Requirements:

- Schedule far in advance: schedule at least 6 months in advance to ensure enough time for preparation
- Find the right partner: your partner's level of cooperation is essential to your event's success
- Sign a detailed contract or agreement with your partner to ensure you get all the services and assistance you require
- Choosing the right time for your promotion: holding your event at the right season will allow for many more varieties of U.S. agricultural products, especially for fresh delicious fruits products
- Contact cooperators/sponsors far in advance and make sure their sponsorship/products donation are delivered on time



Media Interview

Market Needs:

- Prepare media press kit early to ensure media coverage before the event start date
- Prepare consumer survey forms and activity evaluation forms to collect necessary information

Industry Needs:

- Contact the retailer early to discuss business patterns and details during the event and post-event
- Prepare product samples early to ensure delivery in time
- Contact the distributors about stock availability and distribution channels requirements for the promotion
- Prepare enough POP materials and small gifts if possible which are very popular during in-store promotions

Cost

Fund Source	Cost (USD)
CSSF Retail Promotion	\$9,000
Cooperator Contribution	\$3,000
Total	\$12,000

Further Information and Contacts

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